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A Mexican farmer examines his bean crop.

Crop Shortfall in North Africa Spurs Expanded Grain Imports

By Herbert H. Steiner

Because of the extensive drought last spring in Morocco, Algeria, Tunisia, and Libya, grain imports by these countries may rise this year by nearly 50 percent over the 1977 level to about 5.3 million metric tons, up substantially from the 1973-76 average of 3.7 million tons annually. Output of wheat, barley, corn, and sorghum during 1977 in these countries amounted to only about half the 1976 total.

Grain imports by Morocco, Algeria, Tunisia, and Libya may jump 43 percent this year because of extensive drought last spring.

Lack of rainfall in the spring of 1977 reduced wheat and barley production in the four countries to the lowest level since 1966. Total grain production (mainly wheat and barley, but including small amounts of corn and sorghum) was only about 4.8 million metric tons—a 48 percent decline from 1976's excellent harvest of 9.2 million tons.

To make up the loss, imports may reach 5.3 million tons of grain during 1977/78, compared with the annual average of 3.7 million tons imported during 1973-76. The U.S. share of this volume averaged 1.5 million tons (41 percent) during the same period, but almost no U.S. grain went to Libya.

If the U.S. share continues at the 41 percent level during 1977/78, U.S. exports to the four countries could go up an additional 700,000 tons.

The long-term trend of grain imports in North Africa is rising. In 1966/67, following the disastrous drought of 1966, grain imports totaled only 2.4 million tons—less than the quantity imported after the excellent crop in 1976.

One of the causes for the increasing requirements is the rapidly growing population, which surged from 31.6 million in 1966 to 42.4 million in 1976.

Economic development and higher standards of living in all four countries—especially in the important petroleum-exporting countries of Algeria and Libya—have strengthened the demand for wheat and feedgrains and have brought less variation in consumption between good and poor years.

Subsidies provide cheap bread for consumers in all four countries, which also has helped keep demand at a high level.

Annual per capita wheat consumption in North Africa ranges from 150 to 200 kilograms. Wheat supplies over 50 percent of the calories and a large part of the protein in the diet.

Barley also is an important food staple. In the four countries human consumption of barley is about 2.5 million tons annually. Barley is planted on the less fertile soils and in areas where the risk from drought is greater.

Barley is more often consumed on farms, where it substitutes for wheat in the diet. Farm families often sell their wheat, which brings a higher price on the market, and use the cheaper barley for home consumption.

Urbanization has increased the market for wheat because the people who consumed homegrown barley on the farm are more likely to eat bread when they settle in the city.

Wheat and barley have been the principal cereals grown in North Africa since ancient times. Sown in November and December, the plants grow during the mild winter, watered by the rains that fall between September and April. The grain is harvested during the hot, dry weather of June/July.

The North African climate is well-suited for wheat and barley production—except for the influence of the nearby Sahara desert, which causes a desultory rainfall pattern that often subjects the crop to droughts. Weather in 1977 followed the drought pattern, but there were significant variations from country to country.

Morocco: The season had an auspicious beginning with frequent and abundant rains from October to February, marred only by winter floods in the Gharb area. But after February the rains ceased and hot dry winds from the desert shriveled the still-growing plants. The drought began in the south and spread north.

Barley, which is concentrated in the south, suffered the most—1977 production was only 1,345,000 tons, compared with 1976's 2,860,000 tons.

The decline in wheat was not as sharp because the north had more rain to start with, but wheat production totaled only 1,288,000 tons (1,036,000 tons of Durum and 252,000 tons of bread wheat) compared with 2,189,000 tons (1,652,000 Durum; 537,000 bread wheat) in 1976.

In Morocco, normally about 60 percent of the arable land is planted in cereals. In 1976/77 sowings of wheat and barley reached a record 4.3 million hectares, but yields were the lowest since 1966.

Rice, being irrigated, benefited from the heat to give a bumper crop of 28,000

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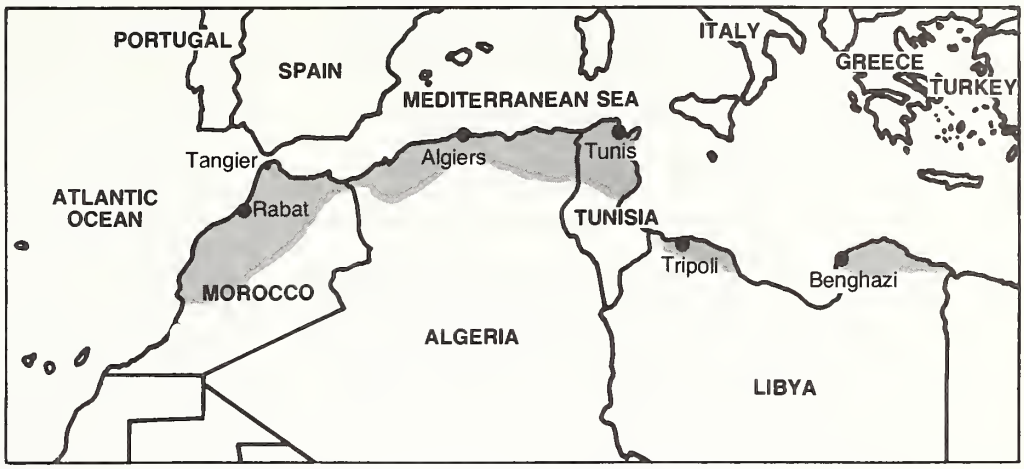
Major Grain Producing Areas in Morocco, Algeria, Tunisia, Libya



tons (paddy). But rice is not important as a crop nor as a food in Morocco.

Probable grain import requirements in 1977/78 will be 1.85 million tons (1.6 million tons of wheat and 250,000 tons of feedgrains).

Morocco's wheat and wheat flour imports totaled about 1 million tons from January through September 1977. Principal suppliers were Argentina (446,765 tons), Canada (200,763 tons), Turkey (129,000 tons), and the United States (117,000 tons). Almost all the wheat from the United States came under P.L. 480, Title I, agreements—100,000 tons in the last quarter of fiscal 1977 and another 100,000 tons scheduled for the first quarter of fiscal 1978. Sweden also supplied 95,000 tons between August and December 1977.

Adequate and well-distributed rains from September 1977 through January 1978 hold promise for a good 1978 crop.

Algeria: Overabundant rain followed by drought and a spring frost cut wheat yields in eastern Algeria (Setif) to only 330 kilograms per hectare. In western Algeria, rainfall during the growing season was about a third of normal.

Production was far below normal, but estimates vary. The Ministry of Agriculture assessed total 1977 grain at 1.2 million tons (900,000 tons of wheat; 300,000 of barley), while the Office of Cereals put the total at 1.6 million tons (1.2 million tons of wheat and 400,000 of barley). Grain imports have been heavy and may reach 1.4 million tons in 1977/78 (about 1.2 million tons of wheat and 200,000 tons of corn and/or barley).

The United States exported 453,000 tons of wheat and wheat equivalent of flour to Algeria in fiscal 1977, but in fiscal 1978 shipments have increased substantially, reaching 212,000 tons for the first quarter only. U.S. exports to Algeria in calendar 1977 included 610,000 tons of wheat, 120,000 tons of corn, and 127,000 tons of barley, valued at $97 million.

Algeria has sought a multiyear bilateral agreement with the United States to buy a specified quantity of wheat similar to agreements already in effect with Argentina, Canada, Sweden, and Australia. For example, Canada in 1976 agreed to furnish about 1 million tons of wheat over a 3-year period.

Algeria is importing increasing amounts of coarse grain from the United States. Barley and corn exports to Algeria were 203,000 tons in 1976/77 and probably will exceed this in 1977/78.

The 1977/78 season got off to a bad start with an early autumn drought. Significant rains early in November alleviated the dry conditions but a moisture deficit remained in many areas until more rains came in January.

The 1978 harvest probably will be greater than 1977's but lack of replacement parts for machinery and unequal distribution of seed and fertilizer are problems that continue to keep Algeria from maximizing production. Chances are that grain imports will continue at least at the 1.5-million-ton level for the foreseeable future.

Tunisia: A long drought starting in February 1977 reduced wheat and barley production to its lowest level since 1970. Dried-up pastures and failure of forage crops made it urgent to import large quantities of feedgrains to save the nearly 1 million cattle and 6 million sheep from starvation.

As a result, Tunisian grain import requirements for 1977/78 may reach 1,060,000 tons (880,000 tons of wheat and 180,000 of corn and/or barley), a substantial increase over 1976/77 imports of 570,000 tons.

The United States exported 187,000 tons of wheat and wheat flour, 46,000 tons of barley, and 22,000 tons of corn to Tunisia in 1976/77. In the first quarter of 1977/78 U.S. grain exports to Tunisia were up more than 50 percent over the first-quarter 1976/77 level.

Barley and corn shipments increased the most, so that the United States probably will supply the major part of Tunisian requirements of feedgrains. Tunisia's important wheat suppliers in 1977 were Argentina and Turkey.

Tunisia received 80,000 tons of wheat under P.L. 480, Title I, credit in the final quarter of fiscal 1977, and will receive another 80,000 tons in fiscal 1978. The United States also donated seed wheat and seed barley so that farmers could plant new crops in fall 1977.

According to a survey made during the 1973/74 marketing year, 50 percent of the wheat produced in Tunisia was consumed on farms. Another 25 percent of the wheat (mostly Durum)

Continued on page 11

WEST GERMANY'S IMPORTS OF U.S. FARM PRODUCTS HIT RECORD $2 BILLION

West Germany's imports of U.S. agricultural products reached a record $2 billion in 1977, compared with $1.8 billion in 1976 and $1.6 billion in 1975 and 1974. However, ample domestic feed supplies and lower soybean prices may cause this import value to slip back to $1.8 billion in 1978.

Rising for the 10th straight year, Germany's total farm imports last year are estimated at $17 billion, up from $15.7 billion in 1976. This gain reflected both larger volume and value, with considerably higher prices reported for oilseeds and products, fruit and vegetables, and coffee.

These impressive gains occurred as West Germany's economic growth slowed to a snail's pace in 1977 after making a brisk recovery in 1976 from the country's first postwar recession. The slowdown was more pronounced over 1977's second half and while the Government is predicting a modest improvement in 1978, this outlook could be a bit overly optimistic.

On 1977's plus side, unemployment was at least contained, the increase in food prices was small, and inflation dropped to 3.9 percent—the lowest of any major country. Grain and potato output rebounded impressively and livestock production continued to expand moderately.

Although a slight downturn in imports of U.S. farm products is anticipated in 1978, Germany's purchases of these products depend greatly on developments in the domestic livestock and feed sectors.

With a larger domestic grain supply stemming from 1977's good harvest, imports of U.S. grains should drop significantly this year. Also, Germany's livestock feed supplies are ample. While the combined imports of U.S. soybeans and meal, sunflowerseed, and peanuts may be about the same in volume as in 1977, total value is expected to be much lower in 1978.

The West German gross national product (GNP) in real terms (based on 1970 prices) rose a disappointing 2.4 percent, against the Government's target of 5 percent and 1976's actual gain of 5.7 percent. The growth rate was even more sluggish toward year's end, dropping from 2.9 percent over the first 6 months to only 2.0 percent the rest of the year. Overall, the Germany GNP increased to $512 billion, about one-third the size of the U.S. GNP.

In an effort to stimulate economic activity, Government spending in 1978 is increasing 10 percent and taxes are being cut an estimated $4.7 billion. The tax cut, benefiting both investors and consumers, should boost consumer spending. In addition, State Governments are being urged to step up their investment programs.

Confident of these measures, the Government is projecting a 3.5 percent expansion in the GNP for 1978. However, concern over the world economic situation and uncertainties about responses from business, labor, and public sectors to the Government's fiscal incentives lead some economists to a more cautious forecast.

Unemployment was held at the previous year's level of 4.5 percent, but there are no indications for a marked improvement in the near future.

The brightest spot in the faltering economic performance was the fight against inflation, which dropped from 4.5 percent in 1976 to only 3.9 percent last year. The Government projects an even lower rate of 3.5 percent this year. Germany's conservative fiscal and monetary policies and the appreciation of the Deutsche mark have helped suppress inflation at home. Recently, German farm leaders have emphasized agriculture's contribution to the nation's price stability, citing a rise of only 2.5 percent last year in the food price index.

Last year, Germany exported about 22 percent of its GNP, an increase of only 6.6 percent compared with a 16 percent growth rate in 1976. Therefore, much of the slowdown in the domestic economy is attributed to the export-oriented sector. Imports rose only 6.0 percent in 1977, compared with a climb of 20.5 percent a year earlier. The country's trade surplus was the second largest in history as domestic demand for imported goods slowed appreciably in 1977.

Total exports reached $117.4 billion and imports amounted to $101.1 billion, leaving a surplus of $16.3 billion, 10 percent greater than that of 1976.

Gains in last year's imports of U.S. agricultural products occurred mainly in oilseeds and products (higher prices); corn gluten feed and alfalfa meal (larger volumes); raw hides and pelts; and inedible tallow (increased prices and quantities). Volume of U.S. grain shipments remained about the same as 1976's, but lower unit prices resulted in a value loss of about $70 million.

By major groups, oilseeds and products accounted for 46 percent of U.S. agricultural shipments to Germany last year with grains representing 25 percent, tobacco 7 percent, and miscellaneous feeds 6 percent. Major items in the remaining 16 percent were fruit and vegetables, raw hides and pelts, inedible tallow, cotton, turkey products, and pork livers. By use, about 60 percent of U.S. farm imports are livestock feeds, consisting mostly of corn and gluten feed; barley and oats; oilseed meals including the parts imported in soybeans and sunflowerseed; alfalfa meal bran; brewers' and distillers' dried grain; citrus pellets; and dried beet pulp.

A partial breakdown of Germany's 1977 imports of U.S. farm products, in preliminary figures, shows 3.3 million metric tons of oilseeds and products worth $918 million, including 2.75 million tons of oilseeds, mostly soybeans, worth $780 million and 558,000 tons of oilcake and meal valued at $126 million. Imports of U.S. grains and rice are estimated at 3.7 million tons with a value of $491 million. Other major commodities, on an estimated value basis, were tobacco ($142 million); fruit

and vegetables, including canned juices ($128 million); miscellaneous feeds ($111 million); raw hides and pelts ($78 million); and inedible tallow ($36 million).

Crop production. German farmers last year harvested their second largest grain crop, 12 percent greater than drought year 1976, but 5 percent shy of record year 1974. Total grain production, including bread wheat, feedgrains, and pulses, is estimated at 21.5 million tons, compared with 19.2 million in 1976 and 22.8 million in 1974.

Assuming normal weather and average yields on a practically unchanged area, Germany's grain output in 1978 is expected to rise only about 200,000 tons, with a major production shift from spring to winter barley.

A significant development over the past decade has been the fivefold expansion in area of corn for ensilage, which rose from 112,000 hectares in 1968 to 546,000 last year. This continuous increase, especially strong last year, has been at the expense of other feed crops with low returns (e.g., potatoes, spring grain, pulses, and clover). This area expansion resulted from improved production techniques and use of high-yielding corn varieties, some of which were developed in the United States. The uptrend has led to a quick expansion in bull feeding and improvement in beef quality. Over the past decade the share of domestic beef from young bulls has grown about one-third to 50 percent as the cow-beef share fell from more than 40 percent to about 30 percent.

Despite the first reduction in sugar beet area in many years, favorable weather should push 1977/78 production beyond 20 million tons for the first time. Further reductions in area are expected because of the sugar surplus and restrictive price policy on beets.

Potato production, continuing its erratic pattern over the past few years, rebounded from a record low of 9.8 million tons in 1976 to an estimated 11.3 million last year.

Outturn of vegetables, including those from home gardens, rose about 280,000 tons to an estimated 1.9 million last year, the highest level in the last 4 years. During this period, however, fruit production of 2.2 million tons fell to its lowest point, while wine output rose 20 percent to just over 1 million tons.

Dairy, livestock and poultry production. Milk output rose 1.5 percent last year and, despite European Community (EC) programs to curb production, expansion at the same rate is forecast for 1978. German milk output this year is pegged at 22.9 million tons, thus adding to the EC milk surplus problem.

Federal Ministry of Agriculture data showed a slight across-the-board increase in livestock numbers, on January 1, 1978, to 14.7 million cattle; 5.45 million milk cows; 21 million hogs; and 62 million laying hens.

In 1978, Germany's beef production is expected to rise 3 percent to 1.3 million tons, pork nearly 3 percent to 2.52 million tons, and poultry more than 4 percent to 335,000 tons. Output of veal at 58,000 tons and mutton at 15,000 tons is expected to remain unchanged from 1977's. Egg production is projected to increase about 1.5 percent to 15 billion pieces and the slight expansion is expected to continue over the short term.

Farm prices and costs. Hitting another high in 1976/77, farm prices were particularly strong for most crops, milk, and poultry, although returns were lower for cattle and hogs. Most prices again have been favorable in 1977/78, but crop prices—especially for potatoes, other vegetables, and grains—have not reached year-earlier levels and these losses have not been fully covered by firm livestock prices. The steady increase of the milk price continued in 1977 and by staying ahead of slaughter livestock prices contributed to the country's milk surplus.

Compared with a 1970 price base, price increases for fruits have registered the largest gain, a hike of 159 percent. Milk and egg prices have jumped nearly 55 percent and 52 percent, respectively. Other increases through October 1977, according to the Germany Ministry of Agriculture, were: Cattle (43.9 percent); slaughter livestock (36.4 percent); oilseeds (35.9 percent); hogs (32.5 percent); calves (31.2 percent); grains (23.5 percent); and poultry (22.5 percent). Potato prices, which had shot up by 380.8 percent in October 1976—following the 1975 and 1976 droughts—fell sharply in October 1977 to only 71.3 percent of the 1970 base period.

Farm costs in recent years have increased at about the same rate as prices received by farmers—and there was little change during 1977's second half when prices were down. Again compared with the 1970 base, fuel costs have risen 68.5 percent; new machinery, 57.4 percent; construction, 55.4 percent; fertilizer, 51.5 percent; livestock, 45 percent; feed, 33.4 percent; and seed, 31.9 percent.

Food consumption and prices. The average price increase in 1977 was lower for food than for other goods and services as the cost-of-living index gained 3.9 percent while the food-cost index advanced only 2.5 percent—excluding coffee, tea, tobacco, alcohol, and consumption in restaurants.

According to the Ministry of Agriculture, the food energy intake per person, increasing from 2,967 calories in 1975/76 (July-June) to 3,156 calories in 1976/77, is considered too high by most nutritionists.

During the same period, per capita meat and poultry consumption (excluding fats) continued to rise to 84.9 kilograms, up from 82.9 kilograms. Most of the increase was again in pork, which rose from 44.3 kilograms to 45.5; beef consumption climbed a half kilogram to 21.6 while poultry consumption stagnated at 9.1 kilograms.

After leveling off the last 2 years, per capita consumption of fats increased from 25.1 kilograms in 1975/76 to 25.6 in 1976/77. During the same period, per capita consumption of edible vegetable and marine fats and oils rose from 13.2 kilograms to 14.0 and margarine increased from 8.6 kilograms to 8.9 as butter consumption dropped from 6.6 kilograms to 6.4 kilograms. □

Based on report from Office of U.S. Agricultural Attaché, Bonn.

Yugoslav Meat Exports Down in 1977, Expected To Recover in 1978

Yugoslav exports of beef and veal were down slightly in 1977, largely because of reduced shipments to the European Community, although sales to Greece—Yugoslavia's major beef market—remained high. Pork exports also were down.

Exports of live cattle, as well as exports of beef and veal, are projected at higher levels in 1978 than in 1977, owing to increases in Yugoslav cattle inventories and slaughter levels. Pork exports are also expected to rise in 1978, again owing to similar gains in numbers and slaughter levels.

Total cattle numbers on January 15, 1978, were expected to increase by about 1 percent to 5.68 million head (3.24 million of which are cows) from the low levels of January 15, 1977. Last year's reduced totals resulted from heavy slaughter in 1976.

Swine numbers also were higher—reaching 7.5 million in 1978 from 1977's 7.3 million—continuing an uptrend that has been powered by a strong demand on the domestic market for pork and satisfactory retail prices for hogs. The corn crop is a record and will contribute feed stocks large enough to support the expected rise in hog numbers.

Sheep numbers at the beginning of 1978 were expected to be down, the result of high slaughter rates and lack of Government incentives to encourage the sheep industry to expand.

Total output of red meat—beef, veal, pork, mutton, lamb, and horsemeat—in calendar 1978 is forecast at 882,500 metric tons, 2 percent lower than in 1977. While 1978's beef and veal production, as well as that of pork, is expected to surpass 1977 levels, output of mutton (including lamb) is projected to be lower. Outturn of horsemeat in 1978 will remain insignificant at the 500-ton level of 1977.

During 1977, exports of live cattle were expected to rise to 40,000 head from 35,199 in head 1976, and sheep to 60,000 head from 55,000 head, while total exports of horses were expected to decline from 109,000 head to 100,000 head, owing to reduced shipments to Italy.

In 1978, exports of cattle are projected to climb to 50,000 head, while sheep exports are expected to stabilize at 1977's 60,000-head level. Horse exports will stand at the 100,000-head level of 1977.

Yugoslavia exports no live hogs.

Yugoslav exports of fresh, chilled, and frozen beef and veal in 1976 totaled 56,830 tons, product weight, rose to 59,000 tons in 1977, and are expected to rise further to 60,000 tons in 1978. Yugoslavia exported 35,000 tons of beef to Greece in 1977, about 3,000 tons more than in 1976. Exports to the EC fell from 16,490 tons in 1976 to 14,000 tons a year later, largely because of high levies imposed on April 1, 1977.

Beef exports to Italy may increase in 1978 if the EC approves the Yugoslav request to reduce EC import levies on Yugoslav beef.

Yugoslav exports of canned beef were expected to be about 3,000 tons lower in 1977 than 1976's 9,232 tons (carcass weight equivalent), apparently because of a summer shortage of cans at local meat packing plants.

Yugoslav exports of pork in 1976 were lower than those of 1975, totaling 6,285 tons of fresh pork and about 23,000 tons of canned pork (both in carcass weight equivalent). In 1977, the tight supply situation caused the Government to bar exports of fresh pork, but to permit some exports of canned pork, which were expected to amount to about 15,000 tons. With an increase in availabilities in 1978, pork exports are expected to increase.

In 1977, Yugoslav imports of breeding cattle were to be mainly Holsteins, a large share coming from the United States. By yearend, more than 3,000 head had been exported to Yugoslavia by the United States. Total Yugoslav imports of breeding cattle in 1976 were just 1,600 head, mostly from West Germany.

Yugoslav meat consumption has been on an uptrend for the past several years. In 1977, the country's consumers were expected to eat a total of 821,000 tons of red meat and meat products, compared with 817,480 tons in 1976. While beef and lamb consumption was down slightly, more pork was used.

The recent climb in use of meat and meat products in Yugoslavia largely is the result of hot meals (or tickets for meat products) being made available to workers by most industrial enterprises and institutes. Currently, there reportedly are about 4 million people receiving meal tickets each workday. □

Based on report from Office of U.S. Agricultural Attaché, Belgrade.

Costa Rica's Cotton Output Up

Costa Rica's 1977/78 cotton production has increased several times over prior-year levels, and is estimated at 45,000 bales (480 lb net). This is the second season of strong shifts to cotton from rice and other crops. In 1976/77, about 7,000 bales were produced on 2,900 hectares, roughly double the area and production levels that had characterized Costa Rica's production for many years previously. Cotton area this season has expanded to 13,500 hectares, most of it in the Province of Guancaste.

Strong Government support is largely responsible for the advance in cotton production. In 1977, a cotton growers' corporation, Algodoneros de Costa Rica, was founded under Government auspices. The firm reportedly has constructed a new cotton gin at Guardia de Liberia and purchased 30 cotton pickers and 80 trailers. Future plans envision the construction of a cottonseed oil mill and a textile mill. For the time being, most of the new cotton production is likely to enter export channels, with the destinations mainly Europe and Japan. □

U.S., Mexico Sign First Trade Agreement In 35 Years

The U.S.-Mexican Trade Agreement, signed December 2, 1977, and expected to take effect this year, is the first such agreement between the United States and Mexico since 1942, and hopefully may be a steppingstone to trade agreements with other trading partners in Latin America and throughout the developing world.

The outcome of the U.S.-Mexican agreement could make a meaningful contribution to an increase in exports of a limited number of U.S. agricultural and food commodities to Mexico.

It is also the first Agreement negotiated between a developed nation and a developing country in the Tokyo Round of the Multilateral Trade Negotiations (MTN) and under the provisions of the U.S. Trade Act of 1974.

The Tokyo Round, among other things, calls for participating developed nations to reach agreements covering trade of special interest and value to developing countries. These so-called Tropical Product negotiations have been in progress in Geneva since 1975.

Although the U.S.-Mexican negotiations started in the Tropical Products Group of the MTN, the Agreement encompasses a broader spectrum of trade.

U.S. and Mexican concessions granted under the Agreement will be extended automatically to all other nations whose exports receive reciprocal most-favored-nation (MFN) treatment by Mexico and the United States.

The Agreement provides for tariff concessions in the form of duty reductions on imports into the United States from Mexico of products valued at approximately $63 million in 1974, the most recent year for which Mexico published trade statistics. However, more recent data for U.S. agricultural imports in 1976 are shown in the accompanying table. The Mexican exports include fruits and vegetables, other agricultural products, and handicrafts.

For cantaloupes, watermelons, and mangoes, the concessions theoretically should mean lower prices to U.S. consumers during winter months when U.S. production of these items is nonexistent. This, in turn, conceivably could increase demand by creating an awareness of continuing product availability—whether the source be domestic or foreign. Should this happen, domestic producers could benefit.

The concessions for cantaloupes, watermelons, and mangoes (for the period December 1-March 31) are for a period sufficiently prior to the U.S. shipping season and would allow the market to clear so that the imports still on the market would not depress prices for early U.S. shipments.

Inedible molasses, a sugar byproduct, is another concession. It is used primarily as livestock feed, but also for the distillation of alcohol and manufacture of yeast. It is not used for the commercial extraction of sugar or otherwise for human consumption.

A significant share of total U.S. supplies of inedible molasses is imported. For a long time, the duty has amounted to less than 0.3 percent of the import value. Its elimination will not affect the U.S. sugar industry measurably.

Yet another concession is a reduction on the duty rate on chickpeas. Normally, the United States produces only half of its chickpea requirements. U.S. prices are well above imported price levels, reflecting a significant quality differential.

While the proposed concessions would have minimal impact on the U.S. industry, it would tend to improve Mexico's competitive position in the U.S. market vis-a-vis other developing country suppliers eligible for duty-free entry under the Generalized System of Preferences (GSP). Mexican chickpeas are dutiable because Mexico is the source of well over half of U.S. imports.

Mexico's share of the U.S. chickpea market traditionally is in excess of 70 percent, with other major suppliers being Morocco and Turkey. However, in 1976/77, Mexico's share was only 22 percent because of a very short Mexican crop.

The duty reductions on U.S. concession items are made at the limits of Trade Act authority (rates over 5 percent are reduced by three-fifths, while rates of 5 percent or lower are eliminated). Reductions are staged according to Trade Act requirements, so that the final stage in reducing the duty on cantaloupes will not be attained before 1983. The Agreement does not affect the GSP status of the commodities concerned.

In return for U.S. concessions, the Agreement provides for trade concessions on about $50 million worth of imports into Mexico from the United States—primarily agricultural products, poultry troughs or feeders, certain machine parts, tools, and instruments, as well as a.c. motors.

Since more recent Mexican import data are not available, more current U.S. agricultural export data for 1976 are shown in the accompanying table.

The Mexican concessions consist of liberalized import licenses and tariff bindings (levels from which tariffs may not be raised without compensatory reductions in other trade barriers).

Under the U.S.-Mexican Trade Agreement, Mexico would bind duties at specified levels and make certain commitments with respect to licensing on evaporated milk, baby formula, shell eggs for consumption, lard, tallow, canned fruit cocktail, essential oil of lemon, and lecithin.

The tariff bindings are at rates lower than those in effect when most of the bindings were first negotiated, but higher than those currently in force, resulting from Mexico's lowering of duties when the peso was

U.S. Agricultural Concessions

Item	Current MFN [1] duty rate	1976 ad valorem equivalent	Concessional MFN [1] duty rate [2]	1976 U.S. imports	1976 U.S. imports from Mexico
	Rate	*Percent*	*Rate*	*1,000 dol*	*1,000 dol*
Dried chickpeas, split	1.2¢/lb	4.8	0.5¢/lb	69	0
Dried chickpeas, other	1.4¢/lb	6.4	.5¢/lb	1,631	1,070
Cashew apples, soursaps, sweetsaps, etc.	7%	7.0	2.8%	77	1
Mangoes, fresh (Dec-Mar)	3.75¢/lb	17.1	1.5¢/lb	515	411
Mangoes, prepared or preserved [3]	3.75¢/lb	7.9	1.5¢/lb	397	35
Cantaloupes, fresh (Dec-Mar)	35%	35.0	14%	2,708	2,626
Watermelons, fresh (Dec-Mar)	20%	20.0	8%	1,892	1,824
Pineapple paste and pulp	15%	15.0	6%	([4])	([4])
Quince paste and pulp	15%	15.0	6%	([5])	([5])
Candied pineapple	8.5%	8.5	3.4%	2,101	1,121
Inedible molasses	.012¢/lb	.3	Free	111,119	23,883
Spirits of turpentine	5%	5.0	Free	1,601	889
Broomcorn	$10/ton	1.0	8%	13,012	12,938
Istle, processed	[6] 20%	0	Free	4,034	4,032
Straw, processed	5%	5.0	Free	3,570	2,612
Total agricultural	—	—	—	142,726	51,442

[1] Most-favored-nation. [2] These duties will be phased in over the next 1-7 years, in accordance with the maximum staging authority provided in the 1974 Trade Act. [3] The concession on prepared mangoes will be implemented only after the principal supplier, India, makes a concession to the United States. [4] Exact value of imports is unknown; however, it is not more than $50,000. [5] Minimal. [6] Currently suspended.

Mexican Agricultural Concessions

Item	Original duty rate [1]	Concessional duty rate [2]	Current temporary rate [3]	Minimum specified level of unrestricted imports [4]	1976 U.S. exports to Mexico	
	Percent	*Percent*	*Percent*	*1,000 lb*	*1,000 lb*	*1,000 dol*
Evaporated milk	50	25	10	[5] 29,218	40,273	10,962
Baby formula, powdered	50	25	10	[6] [7] 7	14	58
Shell eggs, except for hatching	50	25	10	[6] 65	1,687	636
Lard	35	25	10	[8] 4,423	[9] 61,239	12,981
Tallow	25	25	10	[6] 102,638	56,628	9,549
Canned fruit cocktail	100	50	20	[6] [10] 2,250	545	138
Essential lemon oil	75	37.5	35	[6] 50	11	9
Lecithin	25	25	10	[6] 2,898	539	179
Soy flour or meal, nondefatted	50	50	Free	Unrestricted	4,192	594
Cottonseed and peanut flour, nondefatted	50	50	Free	do.	1,313	132
Soybean, cottonseed and peanut oilcakes and other residues, defatted	10	10	Free	do.	22,268	1,581
Vegetable protein and products:					267	127
Soy protein concentrates, soy protein hydrolysates, and textured soy proteins	35	35	10	do.	—	—
Pure vegetable proteins, hydrolized	35	25	35	do.	—	—
Vegetable protein isolates	25	20	10	do.	—	—
Total agricultural	—	—	—	—	—	36,946

[1] Duty rate in effect at the time of the U.S. request—spring 1976. [2] Rate at which duties are bound by current agreement. [3] Put into effect in September 1976, following the devaluation of the Mexican peso. [4] Initial licensing level based on total trade in base year, 1974. The agreement provides for a growth factor to be added to these levels each year. [5] Destined for the free zone. [6] Destined for the interior. [7] Powder equivalent of 30,000 kg of liquid baby formula. [8] Destined for the free zone and the interior. [9] This figure is overstated, as U.S. export classifications apparently include fats not included in the Mexican import category. [10] Represents 50,000 cases (45 lb each).

devalued in the fall of 1976. Although no further reductions are likely to be obtained, Mexico is not expected to increase its duties up to the concession rate.

Regarding Mexican licensing requirements, which have been more important than duties in restricting U.S. exports, Mexico would provide import licenses for no less than specified quantities of the products enumerated above. Generally, these quantities represent 1974 imports. These minimum quantities are subject to a growth factor.

Minimum licenses specified for fruit cocktail of 50,000 cases (45 lb each) and for 50,000 pounds of lemon oil exceed 1974 imports.

Mexico would place various oilseed products on a no-license-required basis, with the understanding that if Mexico later decided that licensing controls were necessary, consultations would take place to restore the balance-of-market opportunities.

The fruit cocktail and lemon oil quantities are well above U.S. exports to Mexico in recent years. Realization of these entitlements would be a major accomplishment for U.S. exporters of these products.

The Mexican concession on oilseed products may increase such exports, including nondefatted flour and meal of soybeans, cottonseed, and peanuts; concentrated soy proteins; texturized soy proteins; hydrolized soy proteins; oilcakes and other defatted residues from soybeans, cottonseed, and peanuts; pure vegetable proteins (hydrolized); and vegetable protein isolates.

The Agreement eliminates nontariff barriers that have hampered U.S. trade to Mexico in the past and provides for bindings of the tariff rates in effect in the spring of 1976.

Where licensing is involved, Mexico's commitment is to issue licenses to areas where the trade actually flowed in 1974—generally into the interior; but the concession on evaporated milk applies only to the border free zone, and the concession on lard pertains to the free zone and the interior (in specified minimum quantities for each area).

When problems arise affecting the operation of or obligations under the Agreement, the two parties will give each other advance notice, insofar as possible, and will consult. These consultations may include reviews, renegotiations, complaints, or claims of nullification or impairment.

For a claim of nullification or impairment, if there has been no satisfactory settlement within 60 days after the claim is made, the aggrieved country may take such action as it deems necessary to restore the original balance-of-market opportunities, including withdrawing concessions.

In the absence of a comprehensive, GATT-like agreement, this right to withdraw concessions, together with the right to terminate the Agreement altogether on 4-months' notice, is the U.S. assurance that Mexico will not negate its concessions by other policy actions.

If it must be used, the term "balance-of-market opportunities" will take on particular importance. The concept means that the United States would expect to sell up to the limit of the licensing concessions—50,000 pounds of lemon oil, for example. Concession withdrawal then would be based on this projection, rather than on actual trade in any historic period.

The Agreement establishes a precedent for negotiating with developing countries in the MTN on the basis of a mutually satisfactory exchange of concessions. It puts the U.S. trade relationship with Mexico—with respect to a few products—on a reciprocal basis, something last done in 1942. This is significant, since Mexico is not a member of the General Agreement on Tariffs and Trade (GATT). □

UNCTAD Meeting Fails To Advance Tea Agreement

Little substantive progress was made toward framing an international tea agreement at the Geneva meeting of the UNCTAD (United Nations Conference on Trade and Development) Preparatory Meeting on Tea in early January. The meeting was to focus on specific elements of such a pact, but little more was done than to agree to continue the search for agreement. Discussions dealing with such a pact have been underway for more than a decade.

The meeting particularly bogged down because a detailed report on the feasibility of operating an international buffer stock, being prepared by the Food and Agriculture Organization (FAO) and UNCTAD secretariats, was not ready.

Because of this, producing-exporting countries met for extended periods during the sessions and in the end merely reaffirmed their previous 11-measure proposal on the development of a tea agreement.

Like many of its counterparts on the import side, the United States favors a broad study of possible stocking arrangements that would encompass a variety of approaches, including buffer stocks, basic export entitlements, and standby arrangements for emergency imposition of such entitlements.

On the other hand, the producer-exporter group looks toward the UNCTAD-proposed common fund as a future source of financing, not only for buffer stocks, but also for diversification schemes, generic promotion plans, and other programs that would benefit the producing nations.

The United States argues that an expanded tea consumption promotion program is a better way to improve the health of the tea industry than it would be to establish buffer stocks.

The United States plans to continue to examine the various features of an international program on tea and to participate in a detailed exchange of views on all aspects and mechanisms of such a program. Only by doing so is it possible to determine whether desirable and feasible arrangements for tea can be worked out.

The United States—unlike some other countries—does not believe the tea industry is currently in a depressed state, maintaining that because of current high yields and other factors, the industry is in better condition than at any time since 1965. It also contends that prospects for future improvement appears to be excellent.

The next meeting of the UNCTAD tea group may be held in June 1978, and until that time an intergovernmental group of experts will try to solve some of the problems connected with a tea agreement. □

Saudia Arabia Expands Import of U.S. Apples

Exports of U.S. apples to Saudi Arabia in December totaled 5,778 metric tons valued at $2.8 million, making that country the largest U.S. export market for apples—in terms of value—in recent months.

The second leading U.S. apple export market in December was Venezuela, which imported $1.4 million worth of U.S. apples.

Total Saudi imports of apples rose from 23,305 tons in 1974 to a record 33,107 tons valued at $7 million in 1976.

Imports of apples from Lebanon declined from 22,147 tons in 1974 to 18,915 tons in 1976, while imports from France climbed from token levels to 11,800 tons.

The shortage of 1977-crop apples in France contributed to the recent U.S. sale to Saudi Arabia.

Imports of Australian apples increased from only 53 tons in 1974 to 710 tons in 1976, and imports from Jordan rose from 362 tons in 1974 to 1,128 tons in 1976, according to official Saudi statistics.

Apple production in Saudi Arabia normally amounts to 2,000-3,000 tons annually—mostly from small orchards in the highlands near the Jordanian border. Tobuk could become a significant apple production area if adequate irrigation water became available.

Imports of canned and dried apples by Saudi Arabia have increased markedly in the past 3 years, and apple juice also is popular. Canned apples are used by hotels and restaurants in apple pies, and commercial production of apple pies is planned by some of the new bakeries being established.

Most of Saudi Arabia's imported apples are retailed in food stores, with Stayman, Rome Red Beauty, and Winesap apples the preferred varieties.

Most imports from Northern Hemisphere production areas are distributed during the autumn and winter, while Australian apples are important during the spring and summer.

Total Saudi imports of apples from all sources could reach 100,000 tons in 1978, with imports from the United States possibly accounting for a third of this volume. Apples thus may join rice, wheat flour, and feed items as one of the leading U.S. agricultural exports to Saudi Arabia. □

Brazil's 1978 Soybean Crop Estimate Lowered 1 Million Tons

The drought-stricken 1978 Brazilian soybean crop will likely not exceed 11.5 million metric tons, according to the U.S. Agricultural Officer in São Paulo. This level of output would be 1 million tons below the previous estimate and 500,000 tons below 1977 production.

The decline would be the first in Brazil's soybean production since 1968. The indicated 4 percent reduction in output implies that the 1978 yield will be 13 percent below trend, since plantings were up about 8 percent and yields have trended upward by more than 1 percent per year.

The yield reduction reflects dry weather in Paraná, Rio Grande do Sul, and São Paulo. Also, increased plantings of early maturing varieties reportedly has cut yields. The early variety soybeans reportedly have been hardest hit by the drought. Early variety plantings are estimated to account for 20 percent of area in Rio Grande do Sul and 50 percent in Paraná.

If the revised crop estimate is realized, export availabilities could be cut by the equivalent of 375,000 tons of meal and 85,000 tons of oil from year-earlier levels. □

U.S. Food Companies Exhibit in Netherlands

Shown is a portion of the U.S. exhibit at the 1978 ROKA International Food Show in Utrecht, the Netherlands, February 13-17, where 25 U.S. firms exhibited their prepared food products to buyers, importers, and agents in the food trade from much of Europe, Africa, and the Middle East. The Catalog-Product Exhibit, sponsored for the first time by USDA's Foreign Agricultural Service, gave participants an opportunity to show their products in response to a growing demand for new kinds of prepared foods—a demand noted by U.S. Agricultural Attachés in numerous countries around the world. Among the products exhibited in Utrecht were meat and poultry products in various forms, canned and frozen fruits and vegetables, wines, candies, popcorn, and condiments. ROKA is an international, trade-only food and beverage show held every other year for importers, wholesalers, shop owners, and distributors, many of whom begin to handle U.S. foods after visiting the show. □

Continued from page 3

North Africa Grain

was sold privately on the so-called "parallel" market at higher than official levels.

Small mills in the villages grind the grain, which is then sifted to give 50 percent couscous, 30 percent flour, and 20 percent bran. The steamed couscous is the basic dish served daily in the rural areas, either alone or with other foods such as vegetables and meat. Both wheat and barley flour are used for homebaked bread.

This type of consumption favors Durum. Between 1973 and 1976, Durum production increased by 48 percent while bread wheat production stayed almost the same. In 1973, 66 percent of the wheat produced was Durum; by 1976 it had increased to 79 percent.

Tunisia is self-sufficient in Durum in normal crop years, but will require imports of about 300,000 tons of bread wheat annually for the foreseeable future.

Virtually all wheat imported by Tunisia in 1973-1976 was bread wheat. Only in a year of below-normal production such as 1977/78 does Tunisia require Durum.

Libya: The 1976/77 crop year was exceptionally dry, causing a sharp decline in production of the two principal crops—barley and wheat. Grain import requirements could be at least as high as the record 575,000 tons imported in 1976/77.

Though ancient Tripolitania was a grain surplus area of the Roman Empire, consumption has been far above domestic production in modern times. Barley is the primary cereal crop in Libya, where the limited rainfall and low soil fertility give it an advantage over wheat.

Production of the two cereals together has averaged between 125,000 and 175,000 tons annually, but with great variation from year to year because in the areas where rains do not arrive in October, November, and December, there is no sowing.

About two-thirds of the cereals crop is barley and one-third is wheat. A large part is consumed on farms or sold on rural markets.

For many years Libya depended on imports to satisfy its wheat and barley consumption, which in the late 1960's was estimated to be 150 kilograms per capita—mostly wheat in urban areas and barley in rural areas.

Increasing affluence from petroleum exports (Libya's per capita income now stands between $5,000 and $6,000) is changing this consumption pattern. Wheat consumption has increased, while more of the barley is going into rapidly increasing meat (mostly poultry) and milk production.

For years, Libya imported more flour than wheat, since there were only three existing industrial mills—one in Benghazi and two in Tripoli. Import licenses were issued only after all domestic wheat was assured a market.

A large part of the domestic wheat was ground in several hundred small, local mills, to which customers brought their grain and carried the products back home. Traditional suppliers of flour were Italy and Germany.

In recent years wheat imports increased, even while flour imports remained at a high level—1975 flour imports totaled 240,000 tons, virtually all from the European Community (EC). But in the future, flour imports will decline as a new milling complex comes into operation. Milling capacity is expected to reach 519,000 tons by 1980.

Principal wheat suppliers in recent years have been Argentina and the EC (292,000 tons in 1974 and 168,000 in 1975). Barley imports (81,000 tons in 1974 and 47,000 tons in 1975) also came largely from the EC but Argentina was a secondary source.

Corn was imported in significant quantities (8,200 tons for the first time, in 1975) with the United States and Argentina the suppliers. Argentina supplied a large part of Libya's wheat requirements in 1976 and 1977. The United States will obtain a piece of the Libyan grain market in 1978 for the first time if an agreement with the Idaho Farm Bureau for 150,000 tons of wheat, 50,000 tons of barley, and 50,000 tons of corn is reached.

Libya, though not a rice producer, has imported increasing quantities of rice (44,000 tons in 1975), mainly from Egypt and China. The United States also is a minor but regular supplier of parboiled rice. □

Program Aids U.S. Cotton Exports

A new program will make it easier for exporters to obtain private financing for their sales of U.S. farm products on credit terms. To be conducted initially on a trial basis, the program will be limited to export sales of cotton for the present.

The new program, which was announced recently by the Department of Agriculture, protects exporters and the U.S. lending agencies that finance their sales from defaults in payments for noncommercial reasons. Under the program, the foreign buyer must have a bank in his country issue a letter of credit to the exporter, thus substituting the foreign bank's irrevocable promise to make scheduled payments for that of the buyer.

If the buyer's bank defaults on any of the payments for noncommercial reasons, the Department's Commodity Credit Corporation (CCC) will pay the exporter (or the U.S. lending agency financing the sale) the amount of the default.

Noncommercial risks, which are defined in the program regulations, are generally those arising from acts of governments including the failure of a foreign central exchange authority to transfer local currency into dollars.

The new program is known as the CCC noncommercial risk assurance program (GSM-101). Rules and regulations were published in the Federal Register on January 31. □

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U.S. Grain Export Sales Increase Significantly

The Office of the General Sales Manager, USDA, reported the following U.S. export sales of key farm commodities for the week ending February 19 (based on reports from exporters unless otherwise noted):

Wheat: New sales (650,000 metric tons) were significant, with Brazil and Korea accounting for over 80 percent of the net increase. Business for marketing year (MY) 1978/79 (June-May) picked up slightly (257,500 tons), with notable sales to unknown destinations and Brazil. Sales reported under the daily system included 100,000 tons switched to the USSR from previously unknown destinations for MY 1977/78 and the USSR's purchase of 100,000 tons for MY 1978/79. Also included were two transactions with Morocco for 1977/78, optional-origin sales of 100,000 tons, and the declaration of the United States as the origin on optional-origin sales of 100,000 tons. Assignments of final destinations and contract adjustments resulted in a net decrease in sales previously reported to unknown destinations. The export rate continues to improve moderately.

Corn: A significant improvement was reported in sales activity from the preceding week's extremely slow pace. Major buyers included Japan, Korea, and unknown destinations. Assignment of final destinations on sales previously reported to unknown destinations and other minor contract adjustments nearly offset new sales to unknown destinations. Sales of 54,000 tons previously reported to the USSR were switched to Belgium. Under the daily reporting system, sales to the USSR totaled 1,350,000 tons for MY 1977/78 (850,000 tons switched from previously unknown destinations and new sales of 500,000 tons), while Japan bought 153,416 tons for the current marketing year and 50,800 tons for MY 1978/79. Exports of 849,600 tons were significantly below last week's.

Oats: For the first time in weeks, significant activity was registered in the market as Japan purchased 10,200 tons.

Sorghum: Market activity continued moderate. A number of new sales, destination changes, and contract adjustments were reported. Japan added 130,700 tons to its total purchases, while Israel purchased 32,100 tons. The United States was designated as the origin for 36,100 tons of optional-origin sales to Romania.

Rice: Actual exports continued to be the major feature in the market as new sales continued at a modest level. Exports were the heaviest in weeks, as Indonesia shipped against outstanding P.L. 480 purchases. Saudi Arabia and the Republic of South Africa were the only major commercial buyers. Guinea's purchase of 5,100 tons of milled long-grain rice was the only P.L. 480, Title I, business.

Cotton: Sales activity continues to be brisk. Volume for the current marketing year and MY 1978/79 (August-July) was the second largest this season. Canada, Japan, Korea, and Taiwan added significant quantities to MY 1977/78 purchases and Korea and Japan also contributed to MY 1978/79 activity. Exports of 138,500 running bales were a record so far for this marketing year. About 85 percent of this volume was for Asian destinations.

Soybeans: Sales (384,400 tons) picked up as the European Community (EC) and Japan added 296,700 tons and 79,000 tons, respectively. Under the daily system, exporters reported sales of 200,000 tons to the USSR for 1977/78, principally switched from previously unknown destinations. The EC and Taiwan added to 1978/79 purchases. Although down from the previous week's level, exports (349,700 tons) continued strong with the EC (224,100 tons) and Japan (101,800 tons) the principal recipients.

Soybean cake and meal: Sales (171,100 tons) continued moderately strong as substantial new sales were reported along with destination assignments on previously unknown destination sales. Exports (134,300 tons) increased 52 percent, with Europe and Japan again accounting for most of the volume.

Soybean oil: A 10,000-ton sale to Pakistan under P.L. 480 accounted for most of the 15,400-ton sales. Exports (22,700 tons) included P.L. 480 shipments to Pakistan of 14,900 tons and 5,000 tons to Peru under CCC export credit. □

Prepared by USDA's Office of the General Sales Manager. For additional information telephone (202) 447-9209.